

# HIGHER EDUCATION

**Overview of Governor's Compact with Higher Education.** In the spring of 2004, the Governor developed a *compact* with the University of California (UC) and California State University (CSU) that calls for the Governor to provide the UC and CSU with a specified level of General Fund support, as part of his annual budget proposal. In exchange for this "guaranteed" level of funding, the UC and CSU agreed to a variety of accountability measures and outcomes. The Governor's 2004-05 Budget provides funding for UC and CSU pursuant to this agreement. Specifically, the *compact* contains the following provisions:

- *Affected Parties.* Compact is between Governor Schwarzenegger and the UC and CSU; the Legislature's compliance is not part of the agreement;
- *Time Period.* Compact is applicable to fiscal years 2005-06 through 2010-11;
- *General Support.* Beginning in fiscal year 2005-06 and 2006-07, Governor will provide 3 percent annual General Fund increases to cover cost-of-living-adjustments (COLA), salary, and other price increases. Thereafter (from 2007-08 to 2010-11) the Governor will provide increases of 4 percent annually.
- *Enrollment Growth.* Governor will provide funding for 2.5 percent enrollment growth annually for the duration of the compact. This equates to approximately 5,149 full-time equivalent students (FTES) at UC and 8,490 FTES at CSU.
- *Long-Term Funding Needs.* Beginning in 2008-09, through the end of the compact (2010-11), UC and CSU will also receive an additional one percent General Fund increase to address long-term funding issues such as instructional equipment and technology, library support, and building maintenance.
- *Student Fees.*

**Undergraduate Fees.** In an effort to better stabilize fees after the sharp increases of the past couple of years, UC and CSU retain the authority to increase student fees – but will limit undergraduate fee increases to 8 percent in 2005-06 and 2006-07. Thereafter, UC and CSU may increase fees up to 10 percent. While UC and CSU did indeed propose to increase fees by this agreed-upon amount, the Governor proposes "buying out" these increases with state General Fund.

**Teacher Credentialing Fees.** Fees will increase by no more than 10 percent annually; an 8 percent increase in fees is proposed by both UC and CSU in 2005-06.

**Academic Graduate Student Fees.** Academic graduate student fees will increase by 10 percent for both 2005-06 and 2006-07; thereafter, the UC and CSU will strive to achieve a fee level that is 50 percent higher than undergraduate fees in order to better reflect the higher cost of instruction. Fees will be adjusted annually (beginning in 2007-08) based on a variety of factors, including, the average cost of instruction; costs at comparable public institutions; market factors; state labor needs; and financial aid needs of graduate students.

**UC Professional School Fees.** UC will develop a student fee plan that adjusts fees annually based on such factors as: cost of attendance at comparable institutions; total cost of attendance; market factors; state labor needs; and financial aid needs. For the 2005-06 academic year, fees will be increased approximately 3 percent. (This small increase is intended to provide some respite after last year's hefty professional school fee hikes.)

**Student Fee Revenues.** UC and CSU will retain revenues derived from student fee increases (as opposed to offsetting the increase in fee revenues with a corresponding General Fund reductions, as the state has done in the past).

- **Accountability Measures.** In exchange for the Governor's funding commitment, the UC and CSU agree to the following:

**Student Eligibility.** Maintain enrollment levels consistent with the *1960 Master Plan for Education*, whereby UC accepts students who are among the top 12.5 percent of public high school graduates (statewide) and CSU accepts students who are among the top 33 percent of public high school graduates.

**Community College Transfer Students.** Both UC and CSU will continue to accept all qualified community college transfer students.

**Community College Course Transfer.** Both UC and CSU will increase the number of course articulation agreements, as they relate to academic "majors," with community colleges. In 2005, UC agreed to achieve major preparation agreements between all 10 UC campuses and all 108 community colleges, while CSU will establish major preparation agreements for each high-demand major with all 108 community colleges by June of 2006.

**Summer Term/Off-Campus Enrollment Levels.** By 2010-11, both UC and CSU will expand student enrollments in summer session and through off-campus offerings to a level equivalent to 40 percent of regular-term enrollments.

**Academic Outreach Efforts.** UC and CSU will remain committed to providing academic outreach to K-12 and community college students and institutions. UC agrees to provide at least \$12 million and CSU agrees to provide at least \$45 million to continue the most effective academic outreach programs.

**A through G Course Offerings.** Both UC and CSU will continue to review and approve courses that integrate academic and career/technical course content.

**Public Service.** UC and CSU agree to strengthen student community service programs.

**Time to Degree.** Both UC and CSU will maintain and improve, where possible, students' persistence rates, graduation rates, and time-to-degree.

**Teacher Candidates.** Both systems will place an increased emphasis on recruiting math and science students into the teaching profession.

## **OVERARCHING HIGHER EDUCATION ISSUES**

**Student Enrollment Growth (UC and CSU).** Pursuant to the Governor's compact with UC and CSU, he proposes to fund enrollment growth equivalent to 2.5 percent, which is consistent with the enrollment projections of the UC and CSU. For UC, this equates to an increase of approximately 5,149 FTES and \$52 million; for CSU, enrollments are proposed to increase by approximately 8,490 FTES and \$57.7 million.

Included in the Governor's enrollment growth proposal is an alteration in the methodology used by the state to calculate the per student "marginal cost of instruction," which is the rate of funding provided by the state for each new student. Specifically, the Department of Finance and the Office of the Legislative Analyst were requested by the Legislature, pursuant to the *Supplemental Report of the 2005 Budget Act*, to convene a workgroup to examine possible changes to the marginal cost methodology. This request was spurred by a growing sense, both within the higher education segments and among legislators and staff, that the per-student rate has not kept pace with actual costs incurred by the institutions in educating students. Unfortunately, the workgroup was unable to reach an agreement on the specifics of the methodology. Included in the Governor's Budget is the Department of Finance's proposal of a new marginal cost methodology.

### ***Budget Issues***

While enrollment growth of 2.5 percent appears reasonable at this point in time, the Legislature will want to continue examining enrollment growth trends to ensure that funds allocated for this purpose are needed. Further, it remains unclear if the "marginal cost" methodology employed by the Department of Finance in constructing the Governor's Budget is the methodology that will accomplish the Legislature's funding objectives.

**Student Enrollment Growth (Community Colleges).** While the California Community Colleges do not have a "compact" with the Governor, he does provide \$148.8 million to fund enrollment growth of 3 percent throughout the community college system. These funds will allow colleges statewide to grow by an additional 35,000 FTES.

In recent years, the Legislature has consistently provided funding to support enrollment growth of approximately 3 percent. After several years of providing these augmentations, districts that previously had unfunded enrollments (because the colleges were over their enrollment "caps") are now fully-funded for the students they are educating, and colleges have continued to grow.

### ***Budget Issues:***

While the Legislature remains supportive of expanding access to higher education, it is unclear, at this point in time, if student demand for community college courses will be high enough to fully utilize the \$148.8 million proposed for this purpose in the budget year or the \$141.9 million provided for enrollment growth (3 percent) in the current year. Furthermore, the Legislative Analyst has expressed a similar concern citing that the amount of funding provided for current year growth appears to be far exceeding the amount of student demand at the community colleges.

**General Campus Support.** Consistent with the Governor's compact, his 2006-07 budget provides a General Fund, general support increase of 3 percent for both UC and CSU (including a 3 percent increase for the Legislative, Executive, and Judicial Fellows programs) totaling \$156.2 million (\$80.5 million to UC; \$75.7 million to CSU). These funds will be used to cover cost-of-living-adjustments (COLA), salary, and other mandatory cost increases.

Under the Governor's proposal, the community colleges also receive a statutory COLA of 5.18 percent which equates to \$280 million.

**Student Fees.** In 2004-05, the Governor proposed to establish a long-term student fee policy aimed at making fee increases regular, predictable, and modest. Rather than codifying his proposal, the Governor instead chose to integrate these student fee principles into his "compact" with UC and CSU. However, contrary to his compact, the Governor proposes "buying out" the previously agreed-upon 2006-07 fee increases for all UC and CSU students by providing the both segments with state General Fund dollars (totaling \$129.4 million) to replace the amount of student fee revenue that will be lost due to retaining fees at their current-year levels.

In explaining its proposal, the Administration sites the enormous fee increases for UC and CSU students beginning in 2003 and continuing through 2005. Intent on providing students and families with much-needed respite from these fee hikes, the Governor proposes his fee "buy out."

Specifically, the UC Board of Regents and the CSU Board of Trustees each approved student fee increases during their November 2005 governance board meetings, in accordance with the Governor's compact. Under the compact, and the actions of the governing boards, fees for undergraduates would have increased by 8 percent, while academic graduate students would have seen fee increases of 10 percent; UC professional school students were facing a 5 percent increase. (Actual fee levels will be illustrated in table form later in this chapter.)

### ***Budget Issues***

While the Administration's justification for "buying out" the proposed fee increases at UC and CSU is compelling, the Legislature must determine if the use of approximately \$130 million for this purpose is indeed its highest priority. In an environment where the Legislature consistently struggles to maintain health and human services programs for low-income, elderly, and disabled persons, there may be populations - other than college students - who could benefit from these funds instead. Furthermore, the Legislature may want to consider "buying down" a portion of the proposed fee increases rather than the full amount. For example, the Legislature could allow fees to increase 4 or 5 percent rather than the full 8 percent and then redirect the remaining funds for another purpose.

The Governor is not proposing a fee increase at the community colleges. Staff notes that like the UC and CSU, community college fees were increased dramatically in recent budgets: from \$11 to \$18 per unit in 2003-04 and then from \$18 to \$26 per unit in 2004-05. Fees in the current year remain constant at \$26 per unit – the same level as proposed for 2006-07.

**Student Academic Preparation Programs.** The Governor's Budget fails to provide any state support (General Fund) for either UC or CSU's Student Academic Preparation or Early Assessment Programs. This equates to a loss of \$24.3 million for these programs (\$17.3 million for UC and \$7 million for CSU). As part of last year's budget process, the UC convened a bipartisan working group of university, legislative, and Administration representatives to address the Administration's concerns with the various Academic Preparation programs. In light of the efforts undertaken by the Legislature and the higher education segments to resolve any outstanding issues, it is unclear why the Administration is proposing to eliminate state funding for these programs.

## **6440 University of California**

The University of California (UC) was founded in 1868 as a public, state-supported land grant institution and was established constitutionally in 1879 as a public trust to be administered under an independent board, known as the Regents of the University of California. The Board of Regents consists of 20 members appointed by the Governor, one student member appointed by the Board, and seven ex officio members.

The original 1960 Master Plan for Education designates the University of California as the primary state-supported academic agency for research and instruction in the professional fields of law, medicine, dentistry, and veterinary medicine. The UC consists of ten campuses -- Berkeley, Davis, Irvine, Los Angeles, Merced, Riverside, San Diego, San Francisco, Santa Barbara, and Santa Cruz -- which offer undergraduate, graduate, and professional education. UC Merced, which is located in the Central Valley, is the newest of the UC campuses and recently opened to students in the Fall of 2005. The University of California, San Francisco, is solely dedicated to the health sciences. In addition to its instructional facilities, the university operates teaching hospitals and clinics at the San Francisco and Los Angeles campuses, as well as operating the Sacramento, San Diego and Orange county medical facilities.

**UC Merced.** The new UC Merced campus opened to 875 FTES in the Fall of 2005 (with the goal of reaching 1,000 FTES by the end of the academic year) and expects to grow by 800 students annually through the 2010-11 academic year, for a total enrollment of 5,000 FTES. With these new students, the campus is now receiving enrollment funding totaling \$8.8 million; however, given that the Merced campus has not yet been able to achieve any "economies of scale" the campus still requires an additional appropriation from the state. For 2006-07, the Governor proposes to continue providing a total of \$24 million for the start-up costs associated with the Merced campus. These funds are used primarily to hire a core staff of administrators and faculty, continue developing curriculum, and recruit faculty. At present, the campus has 50 tenure-track faculty and 15 lecturers providing instruction in the current year.

**Other 2006-07 Budget Changes.** In addition to the budget changes discussed earlier in this document, the Governor continues (1) to deny state funding for research activities related to Labor Studies; (2) to provide funding for his new Math and Science Teacher Initiative in order to encourage UC to quadruple the number of teachers it trains in these particular disciplines; and (3) to provide \$1.7 million for a second year expansion of UC's Entry-Level Masters Degree Programs in Nursing.

**Capital Outlay.** The capital outlay portion of UC's budget includes \$458.3 million for 30 new projects, as well as the continuation of existing projects. Of this amount, \$315 million would be derived from the Governor's newly proposed Education GO Bond; \$116 million would be financed through lease-revenue bonds; \$17.8 million would come from UC funds; and \$9 million would be funded by the General Fund.

**Student Fees.** As discussed earlier, the Governor proposes to hold student fees constant at the current year level of \$6,802 for Undergraduate students and \$8,708 for Graduate students. Additional fees, which are assessed on students enrolled in graduate-level professional schools (law, medicine, dentistry, optometry, pharmacy, veterinary medicine, theater/film/TV), are also proposed to be held constant.

Fees for undergraduate students at the UC comparison institutions (the Universities of Michigan, Illinois, New York, and Virginia) averaged \$7,821 in 2005-06, which is \$1,019 higher than the 2006-07 proposed fee levels for UC resident undergraduates. Fees for graduate students at UC fell by approximately \$1,886, which was also significantly below those charged at its comparison institutions.

<b>University of California Student Fees</b>				
	<b><u>Undergraduate</u></b>		<b><u>Graduate</u></b>	
	<b>Resident</b>	<b>Nonresident</b>	<b>Resident</b>	<b>Nonresident</b>
1994-95	\$4,111	\$11,810	\$4,585	\$12,284
1995-96	4,139	11,838	4,635	12,334
1996-97	4,166	12,560	4,667	13,061
1997-98	4,212	13,196	4,722	13,706
1998-99	4,037	13,611	4,638	14,022
1999-00	3,903	14,077	4,578	14,442
2000-01	3,964	14,578	4,747	15,181
2001-02	3,859	14,933	4,914	15,808
2002-03	3,859	15,361	4,914	16,236
2002-03	4,017	16,396	5,017	16,393
(fees increased mid-year)				
2003-04	5,530	19,740	6,843	19,332
2004-05	6,312	23,268	7,928	22,867
2005-06	6,802	24,622	8,708	23,669
2006-07	6,802	25,486	8,708	23,669

**Note:** Actual fees may vary by campus depending on the particular level of campus-based fees. Data in the table include an *average* of the campus-based fees for the nine campuses.

Students in professional degree programs (i.e., medicine, dentistry, law, veterinary medicine, business) pay a supplemental fee, in addition to the fees noted above, that ranges from \$4,000 for

students in public health, public policy, or international relations to \$15,000 for students in business/management and law.

## **6600 Hastings College of the Law**

Hastings College of the Law was founded in 1878 by Serranus Clinton Hastings, California's first Chief Justice, and became affiliated with the University of California in the same year. Policy development and oversight for the college is established and carried out by a board of directors who are appointed by the Governor for 12-year terms. The juris doctorate degree is granted by the Regents of the University of California and signed by both the University of California President and the Dean of Hastings College of the Law.

**2006-07 Budget Changes.** While not explicitly included in the Governor's compact with higher education, the Administration opted to afford the provisions of the compact to Hastings College of the Law. Specifically, the budget provides Hastings with a 3 percent General Fund increase (\$253,000) for basic budget support. The effect of this increase will help mitigate some of the reductions faced by the college in recent years. While the compact also includes budget adjustments at UC and CSU to accommodate enrollment growth, Hastings enrollment levels are, and have remained, stable for a number of years thereby negating the need to fund growth.

**Student Fees.** After large fee increases of approximately 34 percent in the 2004-05 year, fee levels at Hastings remained relatively constant in 2005-06 with an increase of approximately \$2,000 for residents (\$22,297 total in the current year). Like UC and CSU, the Governor proposes to "buy out" the proposed fee increase of 8 percent that was previously approved by the Hastings Board of Directors at a cost of \$1.4 million. Instead of seeing their fees increase to slightly above \$24,000 a year, student fees will be held constant at the current-year level. Fees for nonresident students however, are proposed to increase from the current-year level of \$33,522 to \$34,497, representing a 2.9 percent increase.

## **6610 California State University**

The California State University (CSU) system is composed of 23 campuses, including 22 university campuses and the California Maritime Academy. Administered and managed by an independent governing Board of Trustees, the CSU has achieved a high level of academic excellence through distinguished faculty and high-quality undergraduate- and graduate-level instruction. Each campus in the system is unique, with its own curriculum and character; however, all campuses require a basic "general education" breadth curriculum regardless of the institution or baccalaureate-level major of study. In addition to providing baccalaureate- and masters-level instruction, the CSU trains approximately 60 percent of California's K-12 teachers and administrators, and in limited circumstances, has the ability to jointly offer doctoral-level education with the University of California and private and independent institutions.

**Other 2006-07 Budget Changes.** In addition to the budget changes discussed earlier in this document, the Governor proposes (1) to provide funding (\$1.1 million) for his new Math and Science Teacher Initiative in order to encourage CSU to double the number of teachers it trains in

these particular disciplines; and (2) to continue providing \$1.7 million for a second year expansion of CSU's Entry-Level Masters Degree Programs in Nursing.

**Student Fees.** As discussed earlier, the Governor proposes to hold student fees constant at the current year level of \$3,164 for Undergraduate students and \$3,746 for Graduate students. Furthermore, nonresident tuition for out-of-state students is also proposed to remain constant at \$10,170 (above the amount paid by resident students).

Fees for undergraduate students at the CSU comparison institutions (including, Rutgers University, University of Maryland, State University of New York and Arizona State University, among others) averaged \$6,132 in 2005-06, which was \$2,968 more than the amount proposed for CSU resident undergraduates in 2006-07. Graduate student fee levels at CSU's comparison institutions were significantly higher, by over \$4,500 annually, than the amount charged by CSU for a graduate-level education.

<b>California State University Student Fees</b>				
	<b><u>Undergraduate</u></b>		<b><u>Graduate</u></b>	
	<b>Resident</b>	<b>Nonresident</b>	<b>Resident</b>	<b>Nonresident</b>
1994-95	\$1,584	\$8,964	\$1,584	\$8,964
1995-96	1,584	8,964	1,584	8,964
1996-97	1,584	8,964	1,584	8,964
1997-98	1,584	8,964	1,584	8,964
1998-99	1,506	8,886	1,584	8,964
1999-00	1,428	8,808	1,506	8,886
2000-01	1,428	8,808	1,506	8,886
2001-02	1,428	8,808	1,506	8,886
2002-03	1,428	9,888	1,506	9,966
2002-03	1,573	10,033	1,734	10,194
(fees increased mid-year)				
2003-04	2,572	11,032	2,782	11,242
2004-05	2,916	13,086	3,402	13,572
2005-06	3,164	13,334	3,746	13,916
2006-07	3,164	13,334	3,746	13,916

Note: Actual fees may vary by campus depending on the particular level of campus-based fees.

**Capital Outlay.** The capital outlay portion of CSU's budget includes \$370.1 million in funding (from all sources) to start 15 new projects and continue existing projects. Of this amount, \$234



million would be derived from the Governor's newly proposed GO Bond Measure; \$49.4 million comes from funds remaining from the 2004 Higher Education GO Bond; and \$86.7 million are university funds.

## 6870 California Community Colleges

The California Community Colleges system (CCC) provides a variety of general and vocational education programs at 108 community colleges throughout the state. The CCC offers academic programs that (1) emphasize transfer courses for students continuing their education at CSU, UC or other institutions of higher education, (2) provide vocational training to enhance the education of California's work force, and (3) offer courses to students who need or desire basic education courses. In addition, the CCCs are also charged with administering many of the state's economic development programs.

### 2006-07 Proposed Adjustments

**Enrollment Growth.** The Governor's 2006-07 budget proposes to provide \$148.8 million to fund a 3 percent (or 35,000 FTE) increase in student enrollment. While statute only calls for enrollment growth funding of 1.74 percent, this statutory index (which is tied to the change in the adult population) has traditionally failed to keep pace with actual student enrollment. Unlike prior years, when campuses were serving large numbers of unfunded students, it appears that funding provided for enrollment growth in the current year budget has not only accommodated those previously-unfunded students, but is perhaps exceeding the actual enrollment needs of the colleges. The total number of students enrolled in community colleges statewide is expected to exceed 1.2 million FTES.

**Cost-of-Living-Adjustment.** In addition to providing enrollment growth, the Administration proposes an additional \$280.4 million for a 5.18 percent COLA for both general campus apportionments (\$264.6 million) and specified categorical programs (\$15.8 million).

**Technical and Vocational Education.** The Administration proposes to augment the community colleges by a total of \$50 million to increase coordination between the colleges and their K-12 colleagues on industry-driven vocational and technical-career curriculum. In the current year, the Budget provides \$20 million on a one-time basis to begin this work. The Governor's proposal makes this \$20 million permanent and augments that amount by an additional \$30 million.

**Equalization.** The Governor proposes to appropriate \$130 million to remedy (or "equalize") disparities in the funding rates of community colleges statewide. This augmentation represents the third and final year of a three-year plan to equalize funding rates to the 90th percentile. Prior-year budget acts took initial steps to meet this end by providing \$110 for equalization.

**Student Fees.** No changes are proposed. Fee levels remain at \$26 per unit. At present, approximately 42 percent of community college students are eligible for Board of Governor (BOG) Student Fee Waivers; this represents a slight increase of 5 percent over the number of BOG waivers granted in 2002-03. The Administration believes that this percentage increase will likely remain constant in 2006-07.

**Additional Augmentations.**

- Additional dollars are proposed to augment services for Disabled Students (\$9.6 million) in order to support increased costs associated with sign language services and the real-time captioning of instructional materials for deaf and learning-disabled students;
- Governor proposes to provide an additional \$500,000 to support the CalPASS program which eases student's transition among K-12, the community colleges, and the four-year higher education institutions;
- Governor's proposal includes funding for two pilot programs (\$100,000) to provide baccalaureate degree courses on community college campuses that are geographically isolated from four-year institutions.

No additional dollars are proposed to augment funding for Non-Credit Instruction.

**Proposition 98 "Split."** General Fund Proposition 98 support for community colleges is proposed to increase by a total of 11.6 percent over the current year, thereby increasing the community colleges "share" of Proposition 98 from the current-year (Budget Act) level of 10.46 percent to 10.79 percent in 2006-07. In total, community colleges would receive \$5.8 billion in Proposition 98 support under the Governor's proposal, which represents an increase of approximately \$606 million. Total support for the community colleges is proposed to exceed \$6.4 billion (from all funding sources).

**Capital Outlay.** The capital outlay portion of the Community Colleges budget includes \$764.4 million in funding (from all sources) to start 58 new projects and continue existing projects. Of this amount, \$491.7 million would be derived from the Governor's newly proposed GO Bond Measure; \$172.6 million is remaining from the 2004 Higher Education GO Bond; \$65.2 million is remaining from the 2002 Higher Education GO Bond; \$4.4 million would come from lease-revenue bonds; and \$30.6 million are left from the 1998 Higher Education GO Bond.

**7980 Student Aid Commission**

The Student Aid Commission (SAC) administers federal and state student financial aid programs including grants and work study for postsecondary students attending California educational institutions. EdFUND, a nonprofit auxiliary of the SAC, administers a variety of federally-backed student loan programs for both California and out-of-state students. The SAC provides leadership on financial aid issues and makes policy recommendations concerning student financial aid programs. In addition, the SAC compiles information on student financial aid issues, evaluates financial aid programs compared to the needs of the state's student population, and provides financial aid information to students, parents, and California's education community.

**Background.** In 2000, the Legislature passed and the Governor signed into law, SB 1644 (Chapter 403, Statutes of 2000) which dramatically expanded the scope of the Cal Grant program

and re-tooled the eligibility criteria to ensure that all financially needy and academically meritorious students are guaranteed a grant to attend college. Under the new Cal Grant Entitlement Program, all graduating high school students who meet specified grade point average (GPA) and income requirements are guaranteed a state grant for up to four years. Cal Grant awards generally cover the cost of fees at public colleges and are worth between \$5,250 and \$9,708 at private colleges and universities. In addition, the Cal Grant B, which is provided to students with exceptional financial need, includes a living allowance of approximately \$1,551 per year.

Under current law, in order to be eligible for a Cal Grant A award, a student must have a minimum GPA of 3.0 (“B” average) and must not exceed the family income limit, which in the budget year, will be approximately \$72,300 for a family of four or \$83,600 for a family of six or more. Students with GPAs under 3.0, but higher than a 2.0 (“C” average), are eligible for a Cal Grant “B” award provided their annual family income does not exceed \$38,000 for a family of four. In addition, community college students who meet specified GPA and income requirements and transfer to a four-year college or university prior to age 24 years, are also eligible to receive an award. Students who did not qualify for the Cal Grant Entitlement Program (either due to age, GPA, or income requirements) have a “second chance” to receive a Cal Grant and are eligible to compete for a block of 22,500 annual awards, provided they are financially and academically eligible. Of the 22,500 awards, 11,250 are reserved specifically for community college students.

The Student Aid Commission estimates that the total number of Cal Grants awards will reach approximately 195,850 in the 2006-07 fiscal year.

**2006-07 Budget Changes.** As part of his 2006-07 budget, the Governor proposes to maintain eligibility for, and award levels within, the Cal Grant program, with the following exception:

**Private College Student Grant Amount.** The Governor proposes to augment the Cal Grant program by \$11.9 million in order to increase the grant amount for students attending private and independent colleges. Under the Governor's proposal, the grant would increase by \$1,386 annually (from the current maximum level of \$8,322 up to \$9,708). This change brings the maximum Cal Grant back to its highest level (which occurred in the 2003-04 fiscal year).

### **Other Budget Adjustments.**

The Governor proposes several budgetary changes in the Assumption Program of Loans for Education (APLE) including (1) an additional \$6.8 million to fund the increase in loan assumptions coming due; (2) the authorization of 8,000 APLE warrants annually with an earmark of 600 awards to be set-aside for students participating in the Governor's Math and Science Teacher Initiative at UC and CSU; and (3) the authorization of 100 new National Guard APLE awards in order to provide new recruits with an incentive to participate in the National Guard.

Using dollars from EdFUND's Student Loan Operating Fund (SLOF), the Governor proposes to continue shifting \$146.5 million worth of Cal Grant expenditures from the General Fund to the SLOF in order to continue saving a like-amount of General Fund. This \$146.5 million amount

represents a decrease of \$51 million from EdFUND, which is proposed to be backfilled by the General Fund in the budget year. The state began using EdFUND resources to help finance the Cal Grant program several years ago when General Fund revenues failed to meet expectations and the SLOF contained a surplus. The impact of this shift on EdFUND's operations in the coming years is unclear.

#### **6445 California Institute for Regenerative Medicine (CIRM)**

Established pursuant to Proposition 71 as passed by the voters in 2004, the California Institute for Regenerative Medicine (CIRM) will administer the issuance of \$3 billion in bond proceeds authorized for stem-cell research and assure that the bond funds are used pursuant to the intent of the voters. Proposition 71 created an Independent Citizen's Oversight Committee as CIRM's governing body. The Citizen's Oversight Committee is responsible for the daily operations of the CIRM and appoints members to the advisory groups charged with developing and maintaining accountability standards, reviewing grant bids, and constructing bond-funded research facilities.

For 2006-07, the CIRM proposes to expend \$309.3 million of continuously-appropriated bond proceeds (*Health and Safety Code*, Section 125291.20) derived from Proposition 71. Included in this amount is the repayment of a \$3 million General Fund loan provided to CIRM for start-up costs as part of the current-year Budget (*Health and Safety Code*, Section 125290.70).